

Master Distributor: Summary

- RJR's market weakness eliminates the use of Master Distributor as an offensive opportunity
 - PM power could overwhelm RJR efforts
 - Logistical complications detract from smoker focus
- Probability of PM going franchise and forcing competitive defensive moves seems low short-term
 - Growth & program success currently being enjoyed
 - Wholesaler profitability issues are substantial
 - Logistically complicated
 - Legal challenges a likely unwanted burden
- Should defense be forced on RJR, Direct Selling partnerships are the recommended response
 - RJR/franchisee combined resource best for quickly counteracting impact
 - RJR actively directs development of a new required core competency
- No further development recommended at this time

51855 4487